

29-1010

ARCADA TOWNSHIP

Gratiot County, Michigan

Annual Financial Statements

and

Auditors' Report

March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Arcada Township	County Gratiot
Audit Date March 31, 2004	Opinion Date May 21, 2004	Date Accountant Report Submitted to Sate: AUGUST 12, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) YEO & YEO P.C.			
Street Address P.O. Box 248	City Alma	State MI	ZIP 48801
Accountant Signature <i>Jamie Rivett</i>			

ARCADA TOWNSHIP
Gratiot County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2004

Township Officials

Douglas Merchant

Supervisor

Alfred Silhavy

Clerk

Barbara Prikasky

Treasurer

Gordon Aurand

Trustee

Keith Flegel

Trustee

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Independent Auditors' Report

To the Township Board
Arcada Township
Gratiot County, Michigan

We have audited the accompanying general purpose financial statements of Arcada Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Arcada Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Arcada Township as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Arcada Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
May 21, 2004

Arcada Township
Combined Balance Sheet - All Funds
March 31, 2004

	Governmental Funds		Proprietary Fund	Fiduciary Fund	Account Groups	Totals
	General	Special Revenue	Sewer Fund	Current Tax Collection Fund	General Fixed Assets	(Memorandum Only)
Assets						
Cash and cash equivalents	\$ 549,831	\$ 165,656	\$ 93,311	\$ 2,855	\$ -	\$ 811,653
Investments	-	-	24,175	-	-	24,175
Accounts receivable	-	-	6,876	-	-	6,876
Taxes receivable	2,777	3,178	-	-	-	5,955
Due from other funds	28,694	-	-	-	-	28,694
Due from state	25,985	-	-	-	-	25,985
Prepaid expenses	3,095	1,379	-	-	-	4,474
Property, plant and equipment (net)	-	-	165,072	-	-	165,072
Total assets	\$ 610,382	\$ 170,213	\$ 289,434	\$ 2,855	\$ 32,323	\$ 1,105,207
Liabilities and Fund Equity						
Liabilities						
Accrued liabilities	\$ 28,374	\$ -	\$ 1,101	\$ -	\$ -	\$ 29,475
Due to other funds	-	25,839	-	2,855	-	28,694
Total liabilities	28,374	25,839	1,101	2,855	-	58,169
Fund equity						
Investment in general fixed assets	-	-	-	-	32,323	32,323
Contributed capital	-	-	160,923	-	-	160,923
Retained earnings	-	-	-	-	-	-
Unreserved	-	-	127,410	-	-	127,410
Fund balance	70,000	-	-	-	-	70,000
Designated for township hall	-	144,374	-	-	-	144,374
Designated for equipment	-	-	-	-	-	-
Unreserved	512,008	-	-	-	-	512,008
Total fund equity	582,008	144,374	288,333	-	32,323	1,047,038
Total liabilities and fund equity	\$ 610,382	\$ 170,213	\$ 289,434	\$ 2,855	\$ 32,323	\$ 1,105,207

See Accompanying Notes

Arcada Township
Statement of Revenues, Expenditures
and Changes in Fund Balance - All Governmental Funds
For the Year Ended March 31, 2004

	General Fund	Special Revenue	Totals (Memorandum Only)
Revenues			
Current property taxes	\$ 38,314	\$ 52,634	\$ 90,948
Penalties and interest on taxes	38	-	38
Tax administrative fees	7,412	-	7,412
Licenses and permits	3,120	-	3,120
State revenue sharing	121,886	-	121,886
Charges for services	521	-	521
Interest	4,420	994	5,414
Other	3,118	-	3,118
Total revenues	<u>178,829</u>	<u>53,628</u>	<u>232,457</u>
Expenditures			
Current			
Legislative	2,680	-	2,680
General government	67,509	-	67,509
Public safety	14,613	44,467	59,080
Public works	51,287	-	51,287
Total expenditures	<u>136,089</u>	<u>44,467</u>	<u>180,556</u>
Excess of revenues over expenditures	<u>42,740</u>	<u>9,161</u>	<u>51,901</u>
Fund balance, beginning of year	<u>539,268</u>	<u>135,213</u>	<u>674,481</u>
Fund balance, end of year	<u>\$ 582,008</u>	<u>\$ 144,374</u>	<u>\$ 726,382</u>

See Accompanying Notes

Arcada Township
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - All Governmental Funds
For the Year Ended March 31, 2004

	General Fund			Special Revenue Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Current property taxes	\$ 38,000	\$ 38,314	\$ 314	\$ 57,000	\$ 52,634	\$ (4,366)
Penalties and interest on taxes	-	38	38	-	-	-
Tax administrative fees	8,500	7,412	(1,088)	-	-	-
Licenses and permits	2,500	3,120	620	-	-	-
State revenue sharing	110,000	121,886	11,886	-	-	-
Charges for services	-	521	521	-	-	-
Interest	1,000	4,420	3,420	-	994	994
Other	-	3,118	3,118	-	-	-
Total revenues	<u>160,000</u>	<u>178,829</u>	<u>18,829</u>	<u>57,000</u>	<u>53,628</u>	<u>(3,372)</u>
Expenditures						
Current						
Legislative	3,100	2,680	(420)	-	-	-
General government	76,552	67,509	(9,043)	-	-	-
Public safety	17,780	14,613	(3,167)	44,500	44,467	(33)
Public works	50,500	51,287	787	-	-	-
Total expenditures	<u>147,932</u>	<u>136,089</u>	<u>(11,843)</u>	<u>44,500</u>	<u>44,467</u>	<u>(33)</u>
Excess of revenues over expenditures	12,068	42,740	30,672	12,500	9,161	(3,339)
Fund balance, beginning of year	539,268	539,268	-	135,213	135,213	-
Fund balance, end of year	<u>\$ 551,336</u>	<u>\$ 582,008</u>	<u>\$ 30,672</u>	<u>\$ 147,713</u>	<u>\$ 144,374</u>	<u>\$ (3,339)</u>

Arcada Township
Statement of Revenues, Expenses and
Changes in Retained Earnings - Proprietary Fund
For the Year Ended March 31, 2004

	<u>Sewer Fund</u>
Operating revenue	
Charges for service	\$ <u>28,866</u>
Operating expenses	
Salaries and wages	1,101
Contracted services	22,656
Utilities	685
Miscellaneous	826
Depreciation	<u>13,756</u>
Total operating expenses	<u>39,024</u>
Operating loss	<u>(10,158)</u>
Nonoperating income	
Interest earned	<u>716</u>
Total nonoperating income	<u>716</u>
Net loss	(9,442)
Retained earnings, beginning of year	<u>136,852</u>
Retained earnings, end of the year	\$ <u><u>127,410</u></u>

See Accompanying Notes

Arcada Township
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2004

	<u>Sewer Fund</u>
Cash flow from operating activities	
Operating loss	\$ (10,158)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	13,756
(Increase) decrease in:	
Accounts receivable	<u>(248)</u>
Net cash provided by operating activities	<u>3,350</u>
Cash flows from investing activities	
Return of investment principal	3,207
Interest earned	<u>716</u>
Net cash provided by investing activities	<u>3,923</u>
Net increase in cash	7,273
Cash and cash equivalents, beginning of year	<u>86,038</u>
Cash and cash equivalents, end of year	<u>\$ 93,311</u>

See Accompanying Notes

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arcada Township is located in Gratiot County, Michigan. The Township is operated under a Township Board consisting of 5 members. The Township provides various services to approximately 1,660 residents.

The accounting policies of Arcada Township conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the significant accounting policies.

(a) THE REPORTING ENTITY

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Township is the primary government which has oversight responsibility and control over all activities. The Township receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township (the primary government) and do not include any other component within its general purpose financial statements.

(b) JOINT VENTURE

Rural Urban Fire Control Board - The Township is a member of the Rural Urban Fire Control Board, which is a joint venture between the City of Alma, Arcada Township, Pine River Township, Seville Township and Sumner Township. The Board provides fire protection and suppression services in the Fire District by inspecting and maintaining standard safety, rescue, and disaster response. The membership of the Board is composed of six members. The Township is represented by the Supervisor. The Board is responsible for preparing an annual budget (which is approved by the City and the Townships) and to carry out all activities of the Board.

The Board has established a funding formula based on assessed valuation, population, and runs. The fire fighting equipment is owned jointly by the Board. The City of Alma provides day-to-day management oversight of this joint venture.

Following the GASB 14 guidelines and the State of Michigan guidelines for joint ventures, the financial activities of the Rural Urban Fire Control Board are reported in the City of Alma's financial statements as a component unit activity.

The following is summary financial information for the Rural Urban Fire Control Board as of June 30, 2003 (latest available audited financial statements).

Total assets	\$ 386,410
Total liabilities	<u>39,441</u>
Fund equity	<u>\$ 425,851</u>

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) JOINT VENTURE (concluded)

Total revenue and transfers	\$ 454,659
Total expenditures	<u>415,775</u>
Net increase (decrease) in fund equity	<u>\$ 38,884</u>

The Township's share of fixed assets is \$72,554. Complete financial statements of the Rural Urban Fire Control Board can be obtained by writing:

City of Alma
P.O. Box 278
Alma, Michigan 48801

(c) FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are displayed as follows in the financial statements.

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except for those required to be accounted for in another fund.

SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND

ENTERPRISE FUND

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

FIDUCIARY FUND

AGENCY FUND

An Agency Fund is generally used to hold assets that the Township holds on behalf of others as their agent.

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ACCOUNT GROUPS

GENERAL FIXED ASSETS

The General Fixed Assets Account Group is used to account for fixed assets used in governmental funds operations.

(d) BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Agency Funds are accounted for using a current financial resources measurement focus. Only current assets and liabilities are generally included on the balance sheet. Operating statements for these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for all Governmental Funds and Agency Funds. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include property taxes, interest earnings, reimbursement-type grants, and reimbursements for use of materials or services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The Proprietary Fund is accounted for on flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The accrual basis of accounting is used for the Proprietary Fund. Its revenues are recognized when earned, and expenses are recognized when incurred. In accordance with GASB Statement Number 20, the Proprietary Fund has applied all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and their Interpretations issued unless the FASB pronouncements conflict or contradict GASB pronouncements.

(e) BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. At the first Township Board meeting in April the proposed budget for each budgetary fund is submitted to the Township Board for consideration, and public hearings are held to obtain taxpayer comments.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. The budgets are adopted by a majority vote of the Township Board.
4. The budgets are adopted on the modified accrual basis of accounting.

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Budget appropriations lapse at the end of each fiscal year.
6. The budgeted amounts shown in these general purpose financial statements were amended on March 9, 2004.

(f) RECEIVABLES

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided in that collection thereof is not considered doubtful and any uncollected amounts would be immaterial.

(g) GENERAL FIXED ASSETS

All fixed assets are stated at cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. Assets in the General Fixed Assets Account Group are not depreciated. Public domain general fixed assets or infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized. Property, plant and equipment is depreciated in the proprietary funds using the straight-line method.

(h) INVENTORIES

Inventories, which are immaterial in amount, are not recognized as an asset in the proprietary fund types. Inventories are recorded as expenditures at the time of purchase in the governmental funds.

(i) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the Enterprise Funds, is stated at cost. Depreciation has been provided using the straight-line method over 40 years.

(j) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures. Actual results may differ from estimated amounts.

(k) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances are paid off periodically throughout the year. At March 31, 2004, an interfund balance existed among the general fund and the current tax collection fund and the fire protection fund.

(l) ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

(m) STATEMENT OF CASH FLOWS

In the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are defined as cash equivalents.

(n) PROPERTY TAXES

Township property taxes are assessed as of January 1 and attached as an enforceable lien on the property as of December 1. The taxes are due without penalty on or before February 14. Real property taxes not collected as of February 28 are turned over to Gratiot County for collection. The County advances the Township 100% of the delinquent taxes on real property.

The assessed Taxable Valuation for the Township for the 2003 levy was as follows:

Real and Personal Property	\$ 39,246,507
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The Township levied millage for taxes as follows:

General Operations	.9707 mills
Fire Protection	1.3484 mills

(n) TOTAL COLUMN ON COMBINED BALANCE SHEET

The total column on the Combined Balance Sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in the column does not present financial position in conformity with accounting principles generally accepted in the United States of America. The data is not comparable to a consolidation. Interfund eliminations have not been made.

(o) FUTURE CHANGES IN ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This new reporting standard will impact the Township's revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Township is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks which are members of FDIC, savings and loan associations which are insured by FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the three highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township.

The carrying amount of the Township's deposits with financial institutions was \$ 835,828. This amount is classified on the combined balance sheet as follows:

Cash and cash equivalents	\$ 496,641
Certificates of deposit	315,012
Investments	24,175

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 2 - CASH AND INVESTMENTS (concluded)

At year end, Township deposits amounted \$ 837,200. Of that amount, \$ 324,731 was covered by federal depository insurance, \$ 24,175 was invested in U.S. Treasury Bonds and \$ 512,469 was uninsured. The investments are classified as available for sale and accordingly are carried at fair value. Fair value of Township deposits is not materially different from its cost basis.

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Buildings and improvements	24,100	-	-	24,100
Office and other equipment	<u>8,223</u>	<u>-</u>	<u>-</u>	<u>8,223</u>
	<u>\$ 32,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,323</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the individual funds at March 31, 2004 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 28,694	\$ -
Fire Fund	-	25,839
Tax Collection Fund	<u>-</u>	<u>2,855</u>
	<u>\$ 28,694</u>	<u>\$ 28,694</u>

NOTE 5 - PROPRIETARY FUND PROPERTY

A schedule of the property of the sewer fund at March 31, 2004 is as follows:

	<u>Sewer Fund</u>
Sewer system	\$ 550,240
Less accumulated depreciation	<u>(385,168)</u>
Net property, plant and equipment	<u>\$ 165,072</u>

NOTE 6 - PENSION PLAN

The Township has a defined contribution pension plan covering all elected officials and the zoning officer. The Township contributes 5% - 10% of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004 was \$ 3,644. Beyond the required defined contribution, the Township is not liable for any future obligations of the pension plan.

Arcada Township
Notes to Financial Statements
March 31, 2004

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the government carries commercial insurance.

NOTE 8 - RELATED PARTY TRANSACTIONS

In the course of operations, the Township has engaged in certain related party transactions. Procedures for related party transactions include obtaining competitive bids, board discussion and approval (with the exclusion of the related party), and disclosure in the financial statements, if material. For the year ended March 31, 2004, related party transactions were not material to the financial statements taken as a whole.

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township incurred expenditures in the General Funds in excess of the amount appropriated as follows:

<u>FUND</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
Public Works	50,500	51,287	787

Arcada Township
General Fund
Schedule of Expenditures - Budget to Actual
For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Legislative Township Board	\$ 3,100	\$ 2,680	\$ (420)
General Government			
Supervisor and assessor	16,752	19,233	2,481
Elections	1,000	-	(1,000)
Clerk	9,300	9,420	120
Board of Review	900	739	(161)
Treasurer	9,300	9,380	80
Buildings and Grounds	3,000	1,760	(1,240)
Cemetery	2,000	834	(1,166)
General Government (unallocated)			
Social security/pension	12,000	7,214	(4,786)
Contracted Services	8,500	7,535	(965)
Insurance	4,800	3,730	(1,070)
Membership and dues	4,000	2,742	(1,258)
Office supplies	5,000	4,142	(858)
Miscellaneous	-	780	780
Total general government	<u>76,552</u>	<u>67,509</u>	<u>(9,043)</u>
Public Safety			
Zoning	10,880	8,195	(2,685)
Rescue	6,900	6,418	(482)
Total public safety	<u>17,780</u>	<u>14,613</u>	<u>(3,167)</u>
Public Works			
Highways and streets	42,000	43,325	1,325
Drains	5,000	6,441	1,441
Trash and refuse	3,500	1,521	(1,979)
Total public works	<u>50,500</u>	<u>51,287</u>	<u>787</u>
Total expenditures	<u>\$ 147,932</u>	<u>\$ 136,089</u>	<u>\$ (11,843)</u>



May 21, 2004

To the Members of the Township Board
of Arcada Township

In planning and performing our audit of the financial statements of Arcada Township for the year ended March 31, 2004, we considered the Township's internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated May 21, 2004 on the financial statements of Arcada Township.

Current Year Comments and Recommendations:

TRIAL BALANCES

We recommend that the Township start using computerized accounting software to maintain the Townships accounts. Computerized software will allow the Township to print monthly reports, compare actual amounts to budgeted amounts and eliminate addition and subtraction errors that often occur when manual records are kept. We will be willing to quote a fee for the initial set up and training for this software, if you are interested.

CASH MANAGEMENT

We suggest that the Township use duplicate checks and attach a copy of the check to the paid invoice. This will reduce the chances of paying an invoice twice and it will increase the supporting documentation available if there is ever a discrepancy.

We also noted that depository accounts opened or closed during the year were not approved by the board. In the future, we recommend that any new depository accounts opened or any accounts closed during the year be documented in the board minutes.

ACCOUNTING POLICY AND PROCEDURES MANUAL

Arcada Township's employees maintain segregation of duties as much as possible with limited staffing, however, no written established policies or procedures were available.

We suggest the Township document policies and procedures relating to accounting record keeping and financial decision making. The Michigan Department of Treasury's Local Government Audit and Finance Division has a manual titled *Uniform Accounting Procedures Manual* available to assist local units of government in preparation of such written procedures.

In addition, the Michigan Townships Association has information available to assist Officials in preparing and adopting policies and procedures for the Township.

GASB 34 – NEW REPORTING MODEL

The Government Accounting Standards Board has issued GASB 34 "Basic Financial Statements – and Management's Discussion Analysis – for State and Local Governments." The pronouncement will have a significant impact on external reporting. Changes to the audited financial statements will include the following:

Management's discussion and analysis, including a narrative introduction and analytical overview of the financial information;

Presentation of the final amended budget, along with the original budget; and

Recognition of all fixed assets with an initial value per item, including infrastructure. All fixed assets will be recorded at historical value and depreciated over the assets useful life.

It will be effective for the fiscal year ending March 31, 2005.

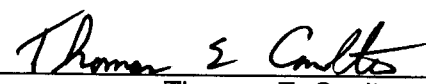
We recommend that the Township establish a timeline to implement GASB 34.

We will review the status of these comments during our next audit engagement. We will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Township and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

By: _____


Thomas E. Coulter, CPA